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MORNING BRIEFING

SR/PA/

19 July 1974

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Senator Proxmire Comments on the DCI's Briefing of the
Subcommittee on Priorities and Economy in Government

Senator Proxmire's release presents facts which are generally consistent with the Director's testimony, but, through a careful selection of the information, the release results in a biased picture which is represented to be the Agency's position when, in fact, it is not. The release links the Senator's analysis and information from the testimony in a fashion which is not consistent with the balanced presentation before the Senator. In some cases, the release includes statements which are at variance with the testimony. A few examples follow:

The release describes the 3 percent annual growth in Soviet defence outlay since 1960 as moderate but neglects to say that US outlays in constant terms over a similar period were declining. Neither does it mention that since 1970 the dollar valuations of Soviet outlays have exceeded US defence expenditures. It also ignores the fact that this steady growth in outlays has permitted the Soviets to add a number of new weapons and 1 million men to its armed forces.

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The Senator asserts that the Soviets are still "significantly behind" the US in military power. The testimony does not include such a statement. While the Director did indicate a US lead in a number of areas of military technology, he declined the opportunity to make a net assessment of the forces.

The release says the Soviets would have to cut back other defence programs or completely reverse a long-term trend in military spending if they were to mount a massive effort to gain superiority in nuclear weapons. The testimony says quite clearly that though Soviet leaders are concerned with the impact of defence outlays they apparently believe the economy is capable of sustaining or even accelerating the pace of defense outlays. Further, in response to a question, the Director noted that outlays in 1974 would be up by 3-4 percent.

CIA reported this week that Soviet defense spending grew by 5 percent in 1973 and that increases almost as large are expected for 1974 and 1975. These figures are based on estimates which were not available at the time the DCI testified before Senator Proxmire. The

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article says that for the decade of the 1970s, Soviet spending will grow at the long run historical average of about 3 percent. This is the same long run figure cited to Senator Proxmire.

25X1 The press release incorrectly quotes Mr. Colby as saying that "some western countries are now selling military equipment to the Soviet Union." At the hearing, [] explained (p.19) that "most of the modern industrial nations have some technology of interest to the USSR which is incorporated in civilian equipment." The exchange at the hearings made it clear that the USSR was not getting military hardware. Instead, the Soviets are trying with some success, to acquire computers and electronic equipment which could be of help in military production.

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SENATOR WILLIAM PROXMIRE

FOR RELEASE AFTER 6:30 PM THURSDAY JULY 18, 1974 (FOR FRIDAY A.M.'s)

WISCONSIN

Senator William Proxmire (D-Wis.), Chairman of the Subcommittee on National Priorities and Economy in Government of the Joint Economic Committee, said in a statement late Thurs. that testimony presented by William E. Colby, Director of the Central Intelligence Agency, shows "the Soviet Union is not ten feet tall. They are still significantly behind the United States in both military power and economic output."

"For example, Soviet military spending is rising at a moderate rate of 3 percent per year and declining as a percentage of the Soviet gross National product."

Proxmire's statement accompanied the release of wide-ranging testimony on the Soviet and Chinese economies presented by Mr. Colby to the Subcommittee in executive session.

"The testimony we received," Proxmire said, "provides a comprehensive and calm view of the Soviet and Chinese economies, including their military budgets."

"The estimated Soviet military spending growth rate of 3 percent annually is a moderate one and is in sharp contrast with the panicky and apparently uninformed opinions of some Pentagon officials that the Soviet military is about to take off and overwhelm the United States."

"The facts show that Soviet expenditures for military investment -- including equipment, weapons and facilities -- have dropped from about 40 percent of their defense budget in 1960 to about 20 percent in 1972."

"Soviet military outlays for research and development and space increased during the same period, according to CIA estimates, from 15 percent of their total defense budget to 30 percent."

"The figures suggest that rather than building up the momentum to forge ahead of the United States, the Soviet Union is still trying to catch up with us, and they are having a hard time doing that."

"If the Russians are planning to mount a massive effort to gain superiority in the area of strategic nuclear weapons, they will either have to cut back their other defense programs or completely reverse the long-term trend of their overall military spending. There is no evidence that they are following either course."

"The Soviet Union may be sacrificing military efficiency in order to create the appearance of keeping up with the United States."

"Soviet ground forces are operated at less intensity than U.S. troops, and the Soviet navy is often kept at anchor, including their naval forces in the Mediterranean. According to the testimony of one CIA expert, 'they stay at anchor a

lot more than they sail."

"The Russians are able to afford their losses by keeping their operating and maintenance costs down. But by doing so they are not as capable as U.S. forces.

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"Soviet technological and economic backwardness is widespread and pronounced in comparison with the United States.

"U.S. military and civilian technology exceeds that of the Soviet Union by large margins. The fact that they are far behind us probably accounts in part for their stepped-up efforts to increase trade with the West.

"I had the following exchange with Mr. Colby in the hearings:

"Chairman Proxmire. Well, that implies that they are behind in the military in the application of their past research and development, and they are trying to catch up. Is that it?

"Mr. Colby. That is true. The complexity of their missile systems, their accuracies, their various other things, have traditionally been behind ours. There is no question about that, and they are just driving to try to catch up."

"Some western countries are now selling military equipment to the Soviet Union.

"The Soviet economy is smaller and growing more slowly than the United States. Its gross national product is about half the size of ours and in absolute terms our lead has been increasing.

"Their civilian economy is incredibly inefficient, measured against ours, especially in agriculture. They employ 31 percent of their total labor force in agriculture, compared to 4 percent in the United States; and their output per worker is only 11 percent of the American worker's output.

"Their civilian plants and equipment are technologically inferior to ours, and in some respects shoddy.

"The backwardness of the Russian computer industry has forced them to seek access to computers in the West.

"The Russian economy is strong in some areas such as raw materials and energy sources which are in abundant supply.

"They are a petroleum exporter and exceed the United States in the production of cement, used extensively in their housing and construction industries.

"They have made great strides in the past, but the declining rates of growth and productivity are a major concern to the Russian leadership.

"Mr. Colby testified: 'The fact that troubles Soviet leaders, despite great progress, is that the U.S.S.R. remains far behind the United States in a number of key areas.'

"It is estimated that the Soviet gross national product will increase by from 4-1/2 to 5-1/2 percent per year through the rest of the decade.

"The economy of China is very small by U.S. standards. Since 1968 the Chinese gross national product has been increasing by about 4 percent per year.

(MORE)

"China with a population of 900 million people had a gross national product of about \$140 billion in 1972, somewhat larger than Italy's gross national product of \$112 billion.

"China is now emphasizing its agriculture sector, and spending large sums to import fertilizer facilities from the United States, Western Europe and Japan.

"China has small but expanding petroleum and coal mining industries. It is still not a net importer of metals.

The increase in investment for agricultural purposes and consumer goods has been accompanied by a slowdown in military expenditures.

"Chinese ground forces are believed to number about the same as Soviet ground forces, around 4 million men.

"China's military technology is at a low level by either U.S. or Soviet standards.

"The American economy is vastly superior in almost every respect to the Soviet Union's and China's.

"We are also far ahead militarily.

"This should not cause us to become smug or complacent. Although technologically inferior to us, the Soviet defense budget in dollar terms is estimated to be slightly higher or about the same size as the U.S. budget.

"Hard data is hard to come by because neither the Soviet Union or China publish reliable or complete information about their defense budgets.

"If the Russian leaders favor detente as much as they say they do, they ought to begin publishing complete and detailed defense budgets."

Copies of the hearings, "Allocation of Resources in the Soviet Union and China" can be obtained from the Joint Economic Committee.

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Booklet on Hearing (12 Apr 74) is filed
with the original papers in the OSR file.

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